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May 31, 2013

Docket Control
Arizona Corporation Commission
1200 W. Washington
Phoenix, AZ 85007

RE: Arizona Public Service Company's 2010 Test Year Rate Case
Docket No. E-01345A-11-0224

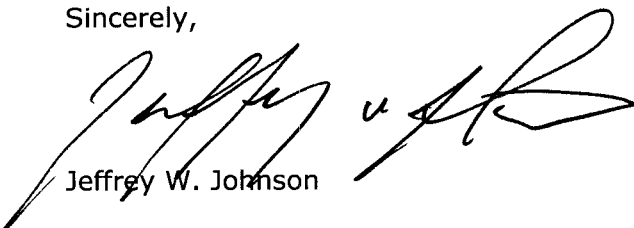
Pursuant to Decision No. 73183, Settlement Agreement Section 18.2, dated May 24, 2012:

APS shall report to the Commission identifying the extent of the challenges regarding workforce planning, the specific actions that APS is taking to address the issue, and the progress APS is making toward meeting those goals.

Attached please find Arizona Public Service Company's Workforce Planning Report.

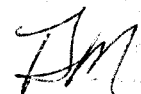
If you have any questions regarding this information, please contact Zachary Fryer at (602)250-4167.

Sincerely,



Jeffrey W. Johnson

JJ/cd
Attachments



APS's Annual Workforce Planning Compliance Report Decision No. 73183

APS continues to work to strengthen its current workforce and to ensure strong talent pipelines to meet future hiring needs.

Building Workforce Planning Center of Excellence

The Company is building a Center of Excellence for strategic workforce planning in the Company's Human Resources function. The goal is to provide APS business-unit leaders with more extensive workforce data, enabling them to make more informed workforce decisions.

At year-end 2012, the Company added workforce planning software to provide leaders with better workforce data and do it more accurately and faster. Data points include headcount, retirement eligibility, historical and forecasted attrition and demographics (e.g., age, gender and ethnicity).

Partnering with Community Colleges on Energy Education

Looking to forge longer-term talent pipelines, APS supports a consortium of five state community colleges that in late 2012 won a \$13.5 million, three-year grant from the U.S. Department of Labor to strengthen energy education in Arizona. The Arizona Sun Corridor – Get Into Energy Consortium has formed an advisory council that includes several APS leaders. The council consults with the consortium colleges on skills the energy industry needs both today and in the future. Specialized programs will help prepare students for positions such as lineworkers, nuclear and non-nuclear operators, engineers and cyber-security specialists.

Promoting STEM (Science, Technology, Engineering and Math) Skills

APS Foundation, a non-profit affiliate of APS funded by shareholders, supports energy education and building STEM skills. For example, the foundation funded equipment for the lineworker program at Chandler-Gilbert Community College in Phoenix's Southeast Valley. APS also helped fund this year two "Hermanas Disena Tu Futuro" (Sisters, Design Your Future) programs at Estrella Mountain Community College. The annual all-day events bring middle school and high school Latinas to campus to learn more about STEM skills, the energy industry, women in leadership roles and the college environment.

Collaborating with the Industry on Workforce Development

APS actively supports the national Center for Energy Workforce Development (CEWD), part of the Edison Electric Institute, and is represented on the national Strategic Workforce Planning Council. CEWD leads the industry in building alliances, processes and tools to develop tomorrow's energy workforce.

CEWD has developed a tiered framework of industry credentials and training components, and APS has recognized the group's "Energy Industry Fundamental Certificate" as a credential that adds value for both the student and the industry.

The Arizona college consortium, led by Estrella Mountain Community College in Phoenix's West Valley, has adopted CEWD's model of credentials and training. This will help ensure consistent course content across the five colleges, make it easier for students to transfer among the colleges and provide students with industry-approved courses and certificates.

CEWD also supports a network of state energy workforce consortia, and APS is a founding member of the Arizona Energy Workforce Consortium. An APS leader chairs the state consortium, which also includes representatives from Salt River Project, Tucson Electric and rural cooperatives. The group works together to promote STEM education and energy careers and share best practices in workforce development.

Last fall, the consortium sponsored its first observance of Energy Careers Awareness Week, including school expos, a Governor's proclamation and outreach programs to military veterans. At its annual meeting last December, the Arizona Energy Workforce Consortium drew a record crowd of energy, government and education leaders, including two IBEW leaders. The meeting focused on energy education and the workforce of tomorrow.

The industry consortium's primary focus in 2013 is supporting the Arizona Sun Corridor - Get Into Energy Consortium as it begins to implement plans to strengthen energy education and train Arizona citizens for good jobs in a relatively stable industry.

Supporting Military Veterans

APS has taken a leading role in helping veterans continue their careers in the energy industry. In 2011-12, the Company co-sponsored a pilot program called Troops to Energy Jobs, developed by CEWD. The six sponsoring utility companies shared best practices and tested processes and procedures for hiring, training and integrating veterans. As a result of this pilot program, a national template will be rolled out across the industry this summer.

The APS workforce already includes approximately 10 percent veterans, and the Company is working to increase that number. Veterans typically

bring excellent skills, a commitment to service and a disciplined work ethic to the Company.

APS veterans have formed an employee network group (VETRN) to share experiences, develop professionally and provide community service. The network has nearly 150 members and is sponsored by a senior vice president of APS. The group's efforts helped APS earn a Salute to Patriots Award from the U.S. Department of Veterans Affairs.

Training Workers Through Apprenticeship Programs

APS supports multiple apprenticeship programs for:

- Electrical field workers - line workers and electricians
- Power plant craft workers - welders, mechanics, instrument technicians and electricians

APS and IBEW 387 support joint apprenticeship committees that administer and oversee the programs. The Company's Energy Delivery business unit, along with union journeymen, conducts monthly workshops for APS employees interested in earning an electrical field journeyman classification.

Facing Growing Workforce Retirements

As we work to fill the talent pipelines of the future, we also are mindful of workforce retirements. With nearly a quarter of our employees eligible for retirement, APS has developed materials for leaders to use in discussing career plans with their employees, including retirement planning. The Company also has developed a comprehensive retirement fact sheet for employees (posted on the employee website) to aid their retirement transition.

To ensure that critical knowledge is retained and transferred when employees retire or resign from the Company, APS is developing tools

to help leaders assess what Company knowledge is truly critical and develop action plans to transfer and retain that knowledge. In addition, an Enterprise Process Improvement initiative will lead to more consistent and documented policies, processes and procedures. Knowledge transfer and succession planning are emphasized and measured and even factor into compensation discussions.

APS has 700 electricians, lineworkers, power plant operators and technicians (as of April 1). Of this group, 150 employees - or 21% - are eligible to retire. Based on historical information, retirement probabilities (i.e., the percent of eligible employees expected to actually retire in any given year) for this group are forecast at 2.9% in 2014, 3.4% in 2015 and 4.0% in 2016.

Headcount and Age Summary				
Job Family	Job Title	Head Count	Age Mean	Age Median
Electrician-Journeyman	Electrician	105	47	46
		105	47	46
Lineman- Journeyman	Lineman- Journeyman	177	44	44
Lineman- Journeyman	Lineman Hotstick	15	46	40
Lineman- Journeyman	Crew Foreman- Lineman 1-6	2	49	49
Lineman- Journeyman	Crew Foreman- Lineman TH	67	51	52
Lineman- Journeyman	Crew Foreman TH	23	50	52
Lineman- Journeyman	Crew Frmn Hstk TH	4	51	49
Lineman- Journeyman	Crew Foreman Fab TH	1	58	58
		289	46	46
Operator- Power Plant	Auxiliary Operator	130	46	48
Operator- Power Plant	Auxiliary Operator GF	1	53	53
Operator- Power Plant	Control Operator	78	49	52
		209	47	51
Technician E&I	E & I Journeyman	97	52	54
		97	52	54
Total		700	48	49

Retirement Eligibility (Pension and Benefits) as of 4/1/13			
Job Family	Job Title	Count of Eligible	% of Eligible
Electrician-Journeyman	Electrician	13	12.4%
		13	12%
Lineman- Journeyman	Lineman- Journeyman	17	9.6%
Lineman- Journeyman	Lineman Hotstick	5	33.3%
Lineman- Journeyman	Crew Foreman- Lineman 1-6	0	0.0%
Lineman- Journeyman	Crew Foreman- Lineman TH	19	28.4%
Lineman- Journeyman	Crew Foreman TH	6	26.1%
Lineman- Journeyman	Crew Frmn Hstk TH	1	25.0%
Lineman- Journeyman	Crew Foreman Fab TH	1	100.0%
		49	19%
Operator- Power Plant	Auxiliary Operator	33	25.4%
Operator- Power Plant	Auxiliary Operator GF	0	0.0%
Operator- Power Plant	Control Operator	23	29.5%
		56	27%
Technician E&I	E & I Journeyman	32	33.0%
		32	33%
Total		150	21%

Historical Retirements				
Job Family	Job Title	2011	2012	2013 YTD
Electrician-Journeyman	Electrician	1	5	0
		1	5	0
Lineman- Journeyman	Lineman- Journeyman	4	1	0
Lineman- Journeyman	Lineman Hotstick	0	0	0
Lineman- Journeyman	Crew Foreman- Lineman 1-6	0	0	0
Lineman- Journeyman	Crew Foreman- Lineman TH	2	2	0
Lineman- Journeyman	Crew Foreman TH	0	0	0
Lineman- Journeyman	Crew Frmn Hstk TH	0	0	0
Lineman- Journeyman	Crew Foreman Fab TH	0	1	0
		6	3	0
Operator- Power Plant	Auxiliary Operator	1	0	2
Operator- Power Plant	Auxiliary Operator GF	0	0	0
Operator- Power Plant	Control Operator	0	8	0
		1	8	2
Technician E&I	E & I Journeyman	1	3	2
		1	3	2
Total		9	19	4

Retirement Probability											
Job Family	Job Title	2014		2015		2016		2017		2018	
		# forecasted	% forecasted	# forecasted	% forecasted	# forecasted	% forecasted	# forecasted	% forecasted	# forecasted	% forecasted
Electrician-Journeyman	Electrician	2	1.9%	2	1.9%	2	1.9%	3	2.9%	3	2.9%
		2	1.9%	2	1.9%	2	1.9%	3	2.9%	3	2.9%
Lineman- Journeyman	Lineman- Journeyman	3	1.7%	3	1.7%	4	2.3%	5	2.8%	5	2.8%
Lineman- Journeyman	Lineman Hotstick	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Lineman- Journeyman	Crew Foreman- Lineman 1-6	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Lineman- Journeyman	Crew Foreman- Lineman TH	2	3.0%	2	3.0%	3	4.5%	3	4.5%	4	6.0%
Lineman- Journeyman	Crew Foreman TH	0	0.0%	0	0.0%	0	0.0%	1	4.3%	1	4.3%
Lineman- Journeyman	Crew Frmn Hstk TH	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Lineman- Journeyman	Crew Foreman Fab TH	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
		6	2.3%	6	2.3%	7	2.7%	9	3.4%	10	3.8%
Operator- Power Plant	Auxiliary Operator	4	3.1%	4	3.1%	5	3.8%	6	4.6%	7	5.4%
Operator- Power Plant	Auxiliary Operator GF	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Operator- Power Plant	Control Operator	2	2.6%	2	2.6%	3	3.8%	3	3.8%	4	5.1%
		6	2.9%	6	2.9%	8	3.8%	9	4.3%	11	5.3%
Technician E&I	E & I Journeyman	4	4.1%	6	6.2%	6	6.2%	7	7.2%	8	8.2%
		4	4.1%	6	6.2%	6	6.2%	7	7.2%	8	8.2%
Total		20	2.9%	24	3.4%	28	4.0%	32	4.6%	36	5.1%